

CROP INSURANCE PROTECTION BONUS

New Application Deadlines

1999 Crop Year/February 1999

Background: The Protection Bonus

Public Law 105-277 authorized \$2.375 billion to assist farmers suffering from crop and economic loss. Four hundred million dollars of these funds will be used to offer an incentive to purchase crop insurance or to increase coverage. This incentive is expected to pay approximately 30% of the producer-paid premium for 1999. See your crop insurance agent for specifics on which crops are insurable in your county (counties).

Sales Closing Dates

To ensure that all farmers have the opportunity to benefit from this one-time premium reduction for 1999 crops, farmers growing crops with sales closing dates between July 31, 1998, and February 15, 1999, are eligible to increase their protection or obtain crop insurance by the following application deadline dates:¹

♦ **February 28, 1999**—Arizona, Florida, Georgia, Hawaii, Louisiana, Mississippi, and South Carolina.

♦ **March 15, 1999**—All other States.

For example, an insured winter wheat farmer having a sales closing date of September 30, 1998, for crop year 1999 coverage, now has until

either February 28, 1999, or March 15, 1999, to evaluate the benefits of increased protection at a lower cost. Farmers choosing not to insure last September will have the same opportunity to apply for coverage until February 28 or March 15, depending on the State. Currently insured farmers with buy-up protection will automatically receive the premium discount. Farmers may also obtain the catastrophic level of protection (CAT). Limited-resource farmers do not have to pay the \$60 fee for CAT protection if they fill out a waiver that may be obtained from a crop insurance agent.

Disaster Linkage Requirement

Farmers must purchase a crop insurance policy for the two next applicable crop years to receive assistance under the single- or multi-year provisions of the emergency relief law if they did not insure their insurable crops for 1998.

Availability

♦ Farmers should contact a crop insurance agent to obtain more information and discuss their options.

♦ A listing of crop insurance agents is available at local Farm Service Agency Service Centers.

¹Due to the unique natures of citrus fruit, avocados, and macadamia nut production, the protection bonus will be applied to coverage on crop year 2000 production.

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Protection Bonus example



The Protection Bonus

Corn Example—A Hamilton Co., Iowa, producer with 200 acres, 150-bu. average yield, and a \$2.10 price election.

Item	CAT ¹			
	50/55 Coverage	50% Coverage	65% Coverage	70% Coverage
Protection	\$17,325 (\$86.63/acre)	\$31,500 (\$157.50/acre)	\$40,950 (\$204.75/acre)	\$44,100 (\$220.50/acre)
Fee	\$60	\$50	\$20	\$20
Expected producer cost	\$60 fee	\$340+fee (\$1.95/acre)	\$764+fee (\$3.92/acre)	\$1,171+fee (\$5.96/acre)
30% premium discount ²	NA	-\$102	-\$229	-\$351
Actual producer cost	\$60 fee	\$238+fee (\$1.44/acre)	\$535+fee (\$2.78/acre)	\$820+fee (\$4.20/acre)

NA = Not applicable.

¹By statute, CAT coverage declines from 50/60 to 50/55 beginning with the 1999 crop year.

²Discount does not include fee.

Note: This example is for illustration only. Actual costs and protection will vary. See a crop insurance agent for information specific to your operation.

Buy-up Coverage

In this example, the actual producer cost for 70% coverage (**\$840**= \$820+\$20 fee) is only \$56 more than the expected producer cost of 65% coverage (**\$784**= \$764+\$20 fee). This means that the producer can obtain a \$15.75 per acre increase in protection for only \$0.28 more per acre.

CAT Coverage

In this example, the actual producer cost for 50/100 coverage (**\$288** = \$238 + \$50 fee) is only \$228 more than the expected producer cost of CAT coverage (\$60). This means that the producer can obtain a \$70.87 per acre increase in protection for only \$1.14 more per acre.